

SOMERVILLE HOUSE  
**FOUNDATION**  
SECURING OUR FUTURE SINCE 1984

SOMERVILLE HOUSE FOUNDATION  
**FINANCIAL REPORT**

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FOR THE YEAR ENDED 31 DECEMBER 2018





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# DIRECTORS' REPORT

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The Directors present their report on the Somerville House Foundation (the 'Foundation') for the reporting period beginning 1 January 2018 and ending 31 December 2018.

## PRINCIPAL ACTIVITIES

As a tax-deductible fundraising vehicle, the Foundation partners with Somerville House (the 'School') to deliver programs and projects that have a lasting and personal impact on the educational journey of Somerville House students. It does so through raising and managing funds via appeals, events and initiatives to support scholarships and bursaries, and assist the School with its present and future development priorities.

### Objectives

This year the Foundation continued to carry out its operations to achieve the following objectives:

- to provide financial support for the educational purposes of the school in all possible ways;
- to create opportunities for the school to attract and retain the continuing interest and financial support of past students, parents of students or past students and friends;
- to solicit donations and gifts for the benefit of the school or any of its funds or accounts from past students, parents or friends and others;
- to raise finance for the acquisition of land or the acquisition, construction or maintenance of buildings to be used by the school;
- to promote or assist in educational, sporting, cultural and extracurricular activities of all kinds of the school and to disseminate information concerning the school and its activities;
- to provide financial assistance for the acquisition by the school of library books, works of art and educational plant and equipment of all kinds for any of the purposes of the school;
- to promote financial assistance for the carrying out of research, the provision of scholarships and bursaries, the funding of visits from people with qualifications which enable them to contribute to the education of the students and teaching staff of the school;
- to attract and encourage gifts, bequests and all forms of deferred gifts to enable the fulfilment of these strategies;
- to act as trustee of trusts and funds which may be established for the benefit of the school; and
- to undertake other types of fundraising activities to enable the fulfilment of these strategies.

### Strategies

To achieve the aforementioned objectives, the Foundation has adopted the following strategies:

- to progress a number of fundraising events and appeals that predominately aim to raise funds through approved Deductible Gift Recipient (DGR) gift funds;
- to effectively manage the Foundation's investment portfolio to generate total returns which exceed outgoings and maintain the real capital value over time; and
- to continuously improve the Foundation's governance practices, policies and procedures.

### Operating results

The net result from the Foundation's activities for the reporting period ended 31 December 2018 was a surplus of \$191,864 (2017 Loss: \$9,785). This includes providing \$134,507 in Bursaries and Scholarships to the School. No provision has been made for income tax, as the Foundation is an exempt organisation for income tax purposes.

### Significant changes in state of affairs

No significant changes in the Foundation's state of affairs occurred during the reporting period.

### After balance date events

Other than the matter mentioned in Note 9 on page 26, there are no matters or circumstances that have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future years.

## DIRECTORS' REPORT (CONTINUED)

### Environmental issues

The Foundation's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Capital

As a company limited by guarantee, the Foundation does not have shares or options. If the Foundation is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Foundation. At 31 December 2018, the Presbyterian and Methodist Schools Association (the 'PMSA') was the sole ordinary member of the Foundation.

### Information on Directors

Below are the qualifications and special responsibilities of Directors in office at the date of this report. Directors have been in office for the whole of the reporting period unless otherwise stated.

<b>Ms Dominique Layt</b>	<b>Elected Director</b> <i>Commenced – May 2018</i>
<b>Qualifications</b>	MBAD, CMgr, AFIML, CDec, MAICD
<b>Responsibilities</b>	Board Chair, Member of the Finance and Risk Committee.
<b>Mr Jim Demack</b>	<b>Permanent Director (Somerville House School Council Chair)</b>
<b>Qualifications</b>	LLB; LLM; AMUSA, MAICD
<b>Responsibilities</b>	Board member.
<b>Mrs Kim Kiepe</b>	<b>Permanent Director (Somerville House School Principal)</b> <i>Commenced – January 2019</i>
<b>Qualifications</b>	MEd (Leadership and Management), BEd, DipT, MACEL, GAICD
<b>Responsibilities</b>	Board member, Member of the Finance and Risk Committee.
<b>Mr Derek Meggitt</b>	<b>Appointed Director (Representative: Parents &amp; Friends Association)</b>
<b>Qualifications</b>	BSc
<b>Responsibilities</b>	Board member, Chair of the Funding Committee.
<b>Ms Rebecca Bauer</b>	<b>Appointed Director (Representative: Old Girls Association)</b> <i>Commenced – September 2018</i>
<b>Qualifications</b>	BA (Econ)
<b>Responsibilities</b>	Board member, Member of the Funding Committee.
<b>Mrs Jodie Bignall</b>	<b>Elected Director</b> <i>Commenced – May 2018</i>
<b>Responsibilities</b>	Board member, Member of the Funding Committee.
<b>Mrs Kanchana Bishop</b>	<b>Elected Director</b>
<b>Qualifications</b>	MBA, BE (Chem Eng), MAICD, Risk Advisor Mining Board, WIMARQ (Women in Mining & Resources Queensland), Risk Manager (Australia & New Zealand).
<b>Responsibilities</b>	Board member, Chair of the Nominations Committee.
<b>Mrs Trudy Naylor</b>	<b>Elected Director</b>
<b>Qualifications</b>	B Laws, Grad Dip Insurance, Bar Association of Queensland, STEP, Women in Insurance
<b>Responsibilities</b>	Board member, Member of the Finance and Risk Committee.
<b>Mrs Peta Tilse</b>	<b>Elected Director</b>
<b>Qualifications</b>	M App Fin, Grad Dip App Fin (Treasury), BBus (Banking & Finance), ADA1, Registered Representative Sydney Futures Exchange, Senior Fellow FINSIA
<b>Responsibilities</b>	Board member, Chair of the Finance and Risk Committee.
<b>Mrs Kerrie Mattiske</b>	<b>Additional Director</b> <i>Commenced – May 2018</i>
<b>Qualifications</b>	LLB, BCom, CA, GAICD
<b>Responsibilities</b>	Board member, Member of the Finance and Risk Committee.

## DIRECTORS' REPORT (CONTINUED)

The following Directors have resigned from the position of Director during the reporting period:

- Mrs Virginia Buttula – Somerville House Foundation Chair (resigned August 2018)
- Dr Ness Goodwin – Somerville House School Principal (resigned December 2018)
- Mr Morgan Parker – Somerville House Foundation Elected Director (resigned May 2018)
- Ms Hannah Syme – Representative of the Old Girls Association (resigned September 2018)

### Company Secretary

The position of company secretary at the end of the reporting period was held by Mr Phil Petch – (BA, BCI, Grad Cert Bus)

### Meeting of Directors

During the reporting period, 7 Board meetings and 4 Finance and Risk Committee meetings were held. Attendances by each Director were as follows:

#### Board of Directors' Meetings

	Number eligible to attend	Number attended
<b>Current Directors</b>		
Ms Dominique Layt (Chair)	4	4
Mr Jim Demack	7	7
Mr Derek Meggitt	7	7
Ms Rebecca Bauer	1	1
Mrs Jodie Bignall	4	4
Mrs Kanchana Bishop	7	7
Mrs Trudy Naylor	7	6
Mrs Peta Tilse	7	6
Mrs Kerrie Mattiske	4	4
<b>Former Directors</b>		
Mrs Virginia Buttula (Chair)	4	4
Dr Ness Goodwin	7	7
Mr Morgan Parker	3	3
Ms Hannah Syme	5	4

#### Finance and Risk Committee Meetings

	Number eligible to attend	Number attended
<b>Current Directors</b>		
Mrs Peta Tilse (Chair)	4	4
Ms Dominique Layt	1	1
Mrs Trudy Naylor	4	2
<b>Former Directors</b>		
Mrs Virginia Buttula	3	3

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report

Directors hold honorary positions and receive no remuneration from the Foundation or any related party for their work as Directors of the Foundation. Directors receive reimbursement for reasonable expenses that they incur in their capacity as Directors of the Foundation in the conduct of the business of the Foundation.

### Related party transactions – Directors

Transactions entered into during the year with Directors, their firms or associated entities were within normal customer relationships and on commercial terms and conditions no more favourable than those available to other customers or service providers. Details of related party transactions are contained on page 27 of the financial report.

### Indemnifying Officers or Auditor

During the reporting period, the Foundation has an insurance policy to insure all Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacities as Directors of the Foundation, other than conduct involving a wilful breach of duty in relation to the Foundation.

The Foundation has not otherwise, during or since the end of the reporting period, in respect of any person who is or has been a Director or auditor of the Foundation:

- a. Indemnified or made any relevant agreement for indemnifying any such person against a liability, including costs and expenses in successfully defending legal proceedings; or
- b. paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings

### Proceedings on behalf of the entity

No person has applied for leave of Court to bring proceedings on behalf of the Foundation or intervene in any proceedings to which the Foundation is a party for the purpose of taking responsibility on behalf of the Foundation for all or any part of those proceedings.

The entity was not party to any such proceedings during the year.

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 8 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



Dominique Layt  
(Chair)

Date: 22 May 2019

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 60.40 OF THE AUSTRALIAN CHARITIES  
AND NOT-FOR-PROFITS COMMISSION ACT 2012**

**TO THE DIRECTORS OF SOMERVILLE HOUSE FOUNDATION LTD**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there have been:

- (i) no contraventions of the independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



Ashley Carle  
Director  
Brisbane  
22 May 2019

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 * \$
<b>Income</b>			
Donations		97,832	121,913
Fundraising events income		77,448	174,929
Interest income		170	207
Other income		48,554	35,140
<b>Total income</b>		<b>224,004</b>	<b>332,189</b>
<b>Expenses</b>			
Audit fees		(6,000)	(5,100)
Bank and merchant fees		(2,753)	(3,217)
Bursaries and scholarships		(134,507)	(143,452)
Donations to Somerville House		-	(165,000)
Event expenses		(48,339)	(71,413)
Management fees		(171,397)	(210,125)
Other expenses		(27,583)	(63,096)
<b>Total expenses</b>		<b>(390,579)</b>	<b>(661,403)</b>
<b>Surplus/(deficit) from operating activities</b>		<b>(166,575)</b>	<b>(329,214)</b>
<b>Investing activities</b>			
Interest from investments		29,892	37,112
Investment income		369,393	318,952
Profit / (loss) on disposal of investments		(3,783)	-
Investment broker fees		(37,063)	(36,635)
<b>Result from investing activities</b>		<b>358,439</b>	<b>319,429</b>
<b>Surplus/(deficit) before income tax expense</b>		<b>191,864</b>	<b>(9,785)</b>
Income tax expense		-	-
<b>Surplus/(deficit) after income tax</b>		<b>191,864</b>	<b>(9,785)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net changes in fair value of artwork		-	-
Net fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		(543,880)	405,737
		<b>(543,880)</b>	<b>405,737</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net fair value gain/(loss) on investments in debt instruments measured at FVTOCI		(202)	(8,480)
		<b>(202)</b>	<b>(8,480)</b>
<b>Total other comprehensive income</b>		<b>(544,082)</b>	<b>397,257</b>
<b>Total comprehensive income for the year</b>		<b>(352,218)</b>	<b>387,472</b>

\* The foundation has made a retrospective adjustment on application of a new accounting standard and has restated comparative figures as required by Australian Accounting Standard AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Refer to Note 3.1 for details

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 \$	1 January 2017 * \$
<b>Current assets</b>				
Cash and cash equivalents	8	205,069	213,882	155,646
Trade and other receivables	5	53,545	47,462	96,537
Financial assets	6	940,406	887,578	1,136,238
<b>Total current assets</b>		<b>1,199,020</b>	<b>1,148,922</b>	<b>1,388,421</b>
<b>Non-current assets</b>				
Financial assets	6	5,994,795	6,425,060	5,873,476
Artwork as sets		111,100	111,100	99,100
<b>Total non-current assets</b>		<b>6,105,895</b>	<b>6,536,160</b>	<b>5,972,576</b>
<b>Total assets</b>		<b>7,304,915</b>	<b>7,685,082</b>	<b>7,360,997</b>
<b>Current liabilities</b>				
Trade and other payables	7	41,000	26,230	66,116
Unearned revenue (named scholarships)		42,719	43,500	43,500
<b>Total current liabilities</b>		<b>83,719</b>	<b>69,730</b>	<b>109,616</b>
<b>Non-current liabilities</b>				
Unearned revenue (named scholarships)		65,436	107,374	130,875
<b>Total non-current liabilities</b>		<b>65,436</b>	<b>107,374</b>	<b>130,875</b>
<b>Total liabilities</b>		<b>149,155</b>	<b>177,104</b>	<b>240,491</b>
<b>Net assets</b>		<b>7,155,760</b>	<b>7,507,978</b>	<b>7,120,506</b>
<b>Equity</b>				
Retained earnings		6,891,558	6,742,333	6,627,452
Reserves		264,202	765,645	493,054
<b>Total equity</b>		<b>7,155,760</b>	<b>7,507,978</b>	<b>7,120,506</b>

\* The foundation has made a retrospective adjustment on application of a new accounting standard and has restated comparative figures as required by Australian Accounting Standard AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Refer to Note 3.1 for details

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Retained earnings	Asset revaluation reserve	Financial Assets revaluation reserve	Somerville House Foundation School Building Fund	Somerville House Foundation Scholarships, Bursaries and Prizes Fund	Total
Note	\$	\$	\$	\$	\$	\$
Opening balance as at 1 January 2017	6,684,589	12,700	-	188,382	234,835	7,120,506
Effect of adoption of new accounting standards	(54,473)	-	54,473	-	-	-
<b>Opening balance as at 1 January 2017 restated</b>	<b>6,630,116</b>	<b>12,700</b>	<b>54,473</b>	<b>188,382</b>	<b>234,835</b>	<b>7,120,506</b>
Net operating result after income tax	(9,785)	-	-	-	-	(9,785)
<b>Other comprehensive income</b>						
Changes in fair value of financial assets	-	-	397,257	-	-	397,257
Transfer of reserve on disposal of equity instruments	(2,664)	-	2,664	-	-	-
<b>Total comprehensive income for the year</b>	<b>(12,449)</b>	<b>-</b>	<b>399,921</b>	<b>-</b>	<b>-</b>	<b>387,472</b>
Transfers (to)/from other equity accounts	124,666	-	-	(114,918)	(9,748)	-
<b>Closing balance as at 31 December 2017</b>	<b>6,742,333</b>	<b>12,700</b>	<b>454,394</b>	<b>73,464</b>	<b>225,087</b>	<b>7,507,978</b>
Net operating result after income tax	191,864	-	-	-	-	191,864
<b>Other comprehensive income</b>						
Changes in fair value of financial assets	-	-	(544,082)	-	-	(544,082)
Transfer of reserve on disposal of equity instruments	(27,856)	-	27,856	-	-	-
<b>Total comprehensive income for the year</b>	<b>164,008</b>	<b>-</b>	<b>(516,226)</b>	<b>-</b>	<b>-</b>	<b>(352,218)</b>
Transfers (to)/from other equity accounts	(14,783)	-	-	6,879	7,904	-
<b>Closing balance as at 31 December 2018</b>	<b>6,891,558</b>	<b>12,700</b>	<b>(61,832)</b>	<b>80,343</b>	<b>232,991</b>	<b>7,155,760</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Donations		55,114	86,412
Event income		74,644	169,000
Interest received		170	207
Franking credit refund		49,211	92,126
Other cash income		1,490	203
Cash paid to suppliers and employees		(379,441)	(696,409)
<b>Net cash from operating activities</b>	8(b)	<b>(198,813)</b>	<b>(348,460)</b>
<b>Cash flows from investing activities</b>			
Acquisition of portfolio investments		-	-
Proceeds from portfolio investments		190,000	406,696
<b>Net cash used in investing activities</b>		<b>190,000</b>	<b>406,696</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,813)</b>	<b>58,236</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>213,882</b>	<b>155,646</b>
<b>Cash and cash equivalents at end of period</b>	8(a)	<b>205,069</b>	<b>213,882</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. Company information

The financial statements cover Somerville House Foundation Ltd (the 'Foundation') as an individual entity, incorporated and domiciled in Australia. Somerville House Foundation Ltd is a company limited by guarantee. The Foundation was incorporated on the 28 March 2014 and its registered office and principal place of business are as follows:

17 Graham Street  
South Brisbane Qld 4101

### 1.1 Company guarantee

The liability of members is limited and the constitution states that in the event of the Foundation being wound up, each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Foundation. At 31 December 2018, the Presbyterian and Methodist Schools Association (the 'PMSA') was the sole ordinary member of the Foundation.

The Foundation's constitution also prohibits the payment of dividends. Consequently, the Foundation's capital comprises of its retained earnings and reserves, supported by financial assets. The Foundation's policy is to balance these sources of capital to meet its operating requirements and to ensure that the Foundation can continue as a going concern.

There are no externally imposed capital requirements. There have been no changes in strategy adopted by management to control the capital of the Foundation since last year.

The financial statements were authorised for issue by the Directors on 22 May 2019.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation requirements.

### 2.1 Statement of compliance

The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards and is a charity registered with the Australian Charities and Not-for-profits Commission. The Directors have prepared the financial statements on the basis that the Foundation is a non-reporting entity and therefore these special purpose financial statements have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and accounting policies outlined in Note 2 of the financial statements. Unless otherwise stated, these financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

### 2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Donations and contributions are recognised as revenue when received, other than where the amount relates to a specific activity to be conducted in a subsequent reporting period. In these cases, the amount is carried forward in the statement of financial position as unearned income.

Bequests and scholarships received with specific conditions are carried forward in the statement of financial position as unearned income. When the specific conditions are satisfied, the bequest or scholarship is recognised as other income to match the expenditure incurred. All other bequests and scholarships are recognised as income when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Non-reciprocal contributions of assets from other parties for zero or a nominal value the assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.3 Investment income and investment expenses

Investment income comprises interest income on funds invested and dividend and distribution income from financial assets. Interest revenue is recognised in profit or loss as it accrues, taking into account the effective yield on the financial asset.

Dividend and distribution income is recognised in profit or loss on the date that the Foundation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise impairment losses recognised on financial assets, realised losses on sale of financial assets, fund management expenses and bank or other financial institution charges.

### 2.4 Financial instruments

#### 2.4.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### 2.4.2 Classification and subsequent measurement

The Foundation's financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at amortised cost
- Receivables – held at amortised cost
- Financial assets – Fair value through Other Comprehensive Income (FVTOCI)
- Payables – held at amortised cost

#### 2.4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short-term highly liquid investments with original maturities of six months or less.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.4.4 Receivables and payables

Receivables and payables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is generally required between 14 to 30 days from the invoice date.

Unsecured trade payables are initially recognised at fair value, net of transaction costs and are usually paid within 30 days of recognition.

Other debtors generally arise from transactions outside the usual operating activities of the Foundation and are recognised at their assessed values. Settlement terms depend on the nature of the receivable. No interest is charged and no security is obtained.

Further details of the Foundation's trade and other receivables are contained in note 5. Further details of the Foundation's trade creditors and other payables are contained in note 7.

### 2.4.5 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Foundation recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Interest income" and "Interest from investments" line items.

### 2.4.6 Debt instruments designated as FVTOCI

The Foundation has debt instruments that meet the following conditions and therefore are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments held by the Foundation are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of impairment gains or losses (see below), and interest income calculated using the effective interest method (see 2.4.5 above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of financial asset revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.4.7 Equity instruments designated as FVTOCI

On initial recognition, the Foundation may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial asset revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss. (See note 2.3 for the accounting policy on dividend income).

The entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9 (see note 6).

### 2.4.8 Credit risk on financial instruments

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. In assessing credit risk on financial instruments, the Foundation compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Foundation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes economic expert reports, financial and market analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Foundation's investment strategy.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Significant deterioration in external market indicators of credit risk for a particular financial instrument; and/or
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the instrument's ability to meet its obligations;

Credit risk from balances with banks and financial institutions is managed in accordance with the Foundation's investment policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty credit limits are reviewed by the Foundation's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Foundation's Finance and Risk Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to meet its obligations.

The Foundation invests only on quoted securities with low credit risk and have an external credit rating of 'investment grade' in accordance with the globally understood definition. The Foundation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the recognition of a financial loss is required.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.4.9 Impairment

The Foundation recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost or at FVTOCI (receivables, debt and equity instruments). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Foundation always recognises lifetime Expected Credit Loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Foundation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Foundation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Foundation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. If the Foundation has measured a loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Foundation will measure the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual obligations that are due to the Foundation in accordance with the contract and all the obligations that the Foundation expects to receive, discounted at the original effective interest rate.

The Foundation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the financial asset revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

### 2.4.10 Derecognition of financial instruments

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.5 Artwork

Actual cost is used for the initial recording of all acquisitions of artwork controlled by the Foundation. Artwork acquired at no cost or for nominal consideration are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Artwork held for use are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Further details relating to the revaluation of artwork is contained in note 2(f).

Any revaluation increase arising on the revaluation of such artwork is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such artwork is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset class. Further details relating to the asset revaluation reserve are contained in note 9.

Artwork is not depreciated as it is deemed to have an unlimited useful life.

The gain or loss arising on disposal or retirement of an item of artwork is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

All artwork is assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Foundation determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

An asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and replacement cost. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried as at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### 2.6 Taxation

The Foundation is a not-for-profit organisation and as such is exempt from paying income tax to the Australian Taxation Office (the 'ATO') as per Section 50 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax ('FBT') and Goods and Services Tax ('GST').

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.7 Accounting estimates and judgements

In the application of the Foundation's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 2.7.1 Valuation of artwork

The Foundation's artwork was independently valued during the 2016 financial period by MacAulay Partners who is a member of the Auctioneers and Valuers' Association of Australia and an Approved Valuer for the Australian Government's Cultural Gifts Program.

The valuation was based on sale prices achieved for artworks of similar quality by the artist, or where there are no recent sales for a particular artist, by an artist of equivalent stature. The critical assumptions adopted in determining the valuation included the quality of the artwork, its condition at the time of valuation and the prominence of the artist.

### 2.8 Other presentation matters

Comparative amounts may differ from previously published financial statements as a result of changes to account classifications in the current year's financial statements or due to rounding.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Adoption of new and revised accounting standards

#### 3.1 Standards and Interpretations affecting the reported results or financial position

##### AASB 9 'Financial Instruments' and associated amendments

In the current year, the Foundation has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. However, the Foundation has elected to restate comparatives in respect of the classification and measurement of financial instruments. The effect of adopting IFRS 9 is, as follows:

Impact on the Statement of Profit or Loss and Other Comprehensive Income (increase/(decrease)):

	Adjust-	31	
	ments	December	
		2017	\$
<b>Investing activities</b>			
Interest from investments	(ii)	10,881	
Investment income	(ii)	(10,647)	
Net movement in market value of investments	(iii)	(400,137)	
Profit / (loss) on disposal of investments	(iii)	2,646	
<b>Result from investing activities</b>		<u>(397,257)</u>	
<b>Surplus/(deficit) before income tax expense</b>		<u>(397,257)</u>	
Income tax expense		-	
<b>Surplus/(deficit) after income tax</b>		<u>(397,257)</u>	
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net fair value gain/(loss) on investments in equity instruments designated as at FVTOCI	(iv)	405,737	
		<u>405,737</u>	
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net fair value gain/(loss) on investments in debt instruments measured at FVTOCI	(iv)	(8,480)	
		<u>(8,480)</u>	
<b>Total other comprehensive income</b>		<u>397,257</u>	

Impact on the Statement of Financial Position (increase/(decrease)):

	Adjust-	31	1	
	ments	December	January	
		2017	2017	\$
<b>Equity</b>				
Retained earnings	(i)	(454,394)	54,473	
Reserves	(iv)	454,394	-	
<b>Total equity</b>		<u>-</u>	<u>54,473</u>	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Classification and measurement

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Directors of the Foundation reviewed and assessed the Foundation's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Foundation's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and trade and other receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There were impairment losses recognised in profit or loss for these investments in prior periods.
  - The Foundation's investment in debt instruments that were classified as at fair value through profit or loss under AASB 139 have now been reclassified as FVTOCI because they are held within a business model whose objective is both to collect contractual cash flows and to sell the instruments periodically, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding. The change in the fair value on these debt instruments will now accumulate in the financial asset revaluation reserve until they are derecognised or reclassified. There were no impairment losses recognised in profit or loss for these investments in prior periods.
  - The Foundation's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as fair value through profit or loss under AASB 139 have now been reclassified as FVTOCI. This is because these financial assets are held within a business model whose objective is both to collect contractual cash flows and to hold these investments for the foreseeable future. The change in fair value on these equity instruments will now accumulate in the financial asset revaluation reserve until they are derecognised or reclassified. There were no impairment losses recognised in profit or loss for these investments in prior periods.
- i. As a result of the implantation of AASB 9, an adjustment of \$54,473 for prior period investment transactions resulted in a decrease in retained earnings as at 1 January 2017.
  - ii. As a result of the debt instrument classification, \$10,647 was reclassified from investment income to interest from investments and \$234 was reclassified from net movement in market value of investments to interest from investments.
  - iii. The statement of profit or loss and the statement of comprehensive income for the year ended 31 December 2017 were also restated relating to the fair value gains on investments, resulting in a net decrease of \$397,491.
  - iv. Other comprehensive income for the year ended 31 December 2017 was also restated relating to the reclassification of FVTOCI investments where fair value gains on investments for debt and equity instruments are now accumulated in the financial asset revaluation reserve, resulting in a net increase of \$454,394.

The Foundation has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Foundation's financial liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3.2 Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and may have an impact on the Foundation's financial statements in future reporting periods.

#### **AASB 15 'Revenue from Contracts with Customers' and associated amendments**

This Standard will become effective from reporting periods beginning on or after 1 January 2019 and contains much more detailed requirements for the accounting for certain types of revenue from customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

1. identify contracts with customers
2. identify the separate performance obligation
3. determine the transaction price of the contract
4. allocate the transaction price to each of the separate performance obligations, and
5. recognise the revenue as each performance obligation is satisfied

Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from events and other fundraising activities that the Foundation holds. This revenue may need to be deferred to a later reporting period to the extent that the Foundation has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned income) in the meantime).

The Foundation plans to adopt AASB 15 in its financial statements for the period ending 31 December 2019 however, once further analysis has been performed the transition approach will be determined. The Foundation is currently analysing its current arrangements for these services and expects to disclose additional quantitative information before it adopts AASB 15.

#### **AASB 1058 'Income of Not-for-Profit Entities' and associated amendments**

AASB 1058 introduces major changes to the income recognition by public and private sector not-for-profit (NFP) entities. Rather than accounting for all contribution transactions under AASB 1004 'Contributions', NFPs will now need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15 Revenue from Contracts with Customers).

Where transactions do not meet the requirements of AASB 15 as noted above, the Foundation will need to assess if these transactions should be accounted for under AASB 1058 'Income for Not-for-Profit entities'. AASB 1058 establishes principles for Not-for-Profit entities, which will more closely reflect the economic reality of transactions that are not contracts with customers.

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

An entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004.

It is anticipated that the Foundation will not choose to adopt an accounting policy which recognises volunteer services at fair value due to the fact that the Foundation will be unable to measure such services reliably. Although the Directors anticipate that the adoption of AASB 1058 may have an impact on the Foundation's financial statements, it is impractical at this stage to provide a reasonable estimate of such an impact.

### Other accounting standards

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Foundation's activities, or have no material impact on the Foundation.

## 4. Other expenses

	2018	2017
	\$	\$
Consultancy	-	-
Legal expenses	(6,731)	(48,768)
Travel and accomodation	(1,449)	-
Seminar and conferences	(2,509)	-
Data and technology expenses	(13,564)	-
Postage and stationary	(1,001)	(14,124)
Sundry expenses	(2,329)	(204)
<b>Total</b>	<b>(27,583)</b>	<b>(63,096)</b>

(a) Auditors remuneration contains the following amounts:

	2018	2017
	\$	\$
<b>Remuneration of the Auditor</b>		
Auditing financial statements	6,000	5,100
Other Assurance services	-	6,500
<b>Total</b>	<b>6,000</b>	<b>11,600</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Trade and other receivables

	2018	2017
	\$	\$
Trade debtors	1,300	-
Accrued revenue	41,472	44,066
GST Receivable	10,773	3,396
<b>Total</b>	<b>53,545</b>	<b>47,462</b>

### 6. Financial assets

	2018	2017
	\$	\$
<b>Current</b>		
Cash Trust Bank Account	350,406	27,578
Term deposits		
JB Were General	410,000	680,000
Building Fund	-	-
JB Were Scholarship, Bursaries and Prizes	180,000	180,000
<b>Total current financial assets</b>	<b>940,406</b>	<b>887,578</b>
<b>Non-current</b>		
Fixed interest - Domestic	344,411	528,310
Alternative Assets - Growth	856,547	744,009
Australian equities	2,767,089	3,258,447
International equities	2,026,748	1,894,294
<b>Total non-current financial assets</b>	<b>5,994,795</b>	<b>6,425,060</b>
<b>Total financial assets</b>	<b>6,935,201</b>	<b>7,312,638</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Trade and other payables

	2018	2017
	\$	\$
Trade payables	23,127	3,207
Accrued expenses	17,873	23,023
<b>Total</b>	<b>41,000</b>	<b>26,230</b>

### 8. Cash and cash equivalents

#### a. Reconciliation of cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank - Operating account	81,258	100,792
Cash at bank - Building fund	80,342	73,463
Cash at bank - Scholarship, Bursaries & Prizes Fund	43,469	39,627
<b>Total</b>	<b>205,069</b>	<b>213,882</b>

(a) The effective interest rate on short-term bank deposits, which were available at call, was 0.1% (2017: 0.1%).

#### b. Reconciliation of operating result to net cash flow from operations

	2018	2017
	\$	\$
<b>Result from operating activities</b>	<b>191,864</b>	<b>(9,785)</b>
<b>Adjustments for:</b>		
Investment income	(356,645)	(319,429)
Donated assets	-	(12,000)
<b>(Increase)/Decrease in Assets</b>		
Trade and other receivables	(6,083)	54,838
<b>Increase/(Decrease) in Liabilities</b>		
Trade and other payables	14,770	(38,584)
Unearned revenue	(42,719)	(23,501)
<b>Net cash from operating activities</b>	<b>(198,813)</b>	<b>(348,460)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Reserves

The Foundation has established two separate funds, being the School Building Fund and the Scholarships, Bursaries and Prizes Fund. Reserve accounts have been established to represent the cash balance of each fund. The net cash received and paid from each fund are transferred from Retained earnings.

The Somerville House Foundation School Building Fund and the Somerville House Foundation Scholarships, Bursaries and Prizes Fund are both Deductible Gift Recipient Funds within the meaning of the Income Tax Assessment Act 1997. As a result, these funds have restrictions upon their use so therefore the assets of these funds are to be held and reported separately with the assets of the Foundation.

	<b>Somerville House Foundation School Building Fund \$</b>	<b>Somerville House Foundation Scholarship, Bursaries and Prizes Fund \$</b>	<b>Total \$</b>
<b>Opening balance as at 1 January 2017</b>	188,382	234,835	423,217
Donations received	54,856	30,085	84,941
Interest income	579	4,533	5,112
Donations/scholarships paid	(165,000)	(43,501)	(208,501)
Other expenses	(5,353)	(865)	(6,218)
<b>Closing balance as at 31 December 2017</b>	<b>73,464</b>	<b>225,087</b>	<b>298,551</b>
Donations received	7,405	47,285	54,690
Interest income	77	4,102	4,179
Donations/scholarships paid	-	(42,719)	(42,719)
Other expenses	(603)	(764)	(1,367)
Transfer between equity accounts	-	-	-
<b>Closing balance as at 31 December Full Bud</b>	<b>80,343</b>	<b>232,991</b>	<b>313,334</b>

The Foundation established the Somerville House Endowment Fund on 27 August 2018.

The purpose of the Endowment Fund is a recognition of the original intention of the establishment of the Foundation in 1984, to provide for the long term wellbeing and continued operations of the School. This was a direct result of a change of policy regarding government funding of independent schools back in the 1980's with the intent to provide for funding of the operational costs of running the School should government grants affect the economic viability of the School.

The Endowment Fund provides a vehicle whereby funds can be used to provide financial support for the operational costs of the running Somerville House and education of students, and provides a vehicle to capture donations or bequests that fall outside of the Foundation's other five funds; Somerville House Foundation School Building Fund, Somerville House Foundation Scholarships, Bursaries & Prizes Fund, Somerville House Cultural Fund, Somerville House Sports Fund and Somerville House Foundation General Fund.

In the Foundation Board meeting on 10 October 2018 it was resolved to transfer the amount of \$2,600,000 from the General Purpose Account to the Endowment Fund, rounding up from the minimum proposed amount of \$2,526,731. This amount was determined through data reconciliation of historical contributions toward this purpose. Due to end of financial year timing (31 December 2018) and last Board meeting for 2018 (7 November), the Endowment Fund accounting treatment, account establishment, investment policy updates, and actual transfers were agreed to occur as at 1 January 2019.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

#### 10.1 Directors

Directors hold honorary positions and receive no remuneration from the Foundation or any related party for their work as Directors of the Foundation. Directors receive reimbursement for reasonable expenses that they incur in their capacity as Directors of the Foundation in the conduct of the business of the Foundation.

The Directors or their related entities, may transact with the Foundation within a normal member, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Foundation would have adopted if dealing with an entity at arm's length. These transactions include the following:

##### 10.1.1 As customers

Reimbursement of the purchase of goods and services in their role as Directors of the Foundation. The amounts involved in the above transactions are nominal.

##### 10.1.2 As suppliers

Mrs Peta Tilse, the Managing Director of Levantine Wealth, provided disaster recovery services to Foundation, which was approved by the Board. Services provided in the current year were \$6,066 (2017: \$348).

##### 10.1.3 As donors

The Directors made the following donations to the Foundation during the reporting period:

	2018 \$	2017 \$
Cash donations	6,000	30,000
In-kind donations	3,000	38,350
Cash sponsorship	-	7,150
<b>Total</b>	<b>9,000</b>	<b>75,500</b>

### 10.2 The Foundation

#### 10.2.1 As donors

During the reporting period, the Foundation made the following payments to the school:

	2018 \$	2017 \$
Scholarships	122,082	131,027
Bursaries	12,425	12,425
Building Fund donations	-	165,000
Management fees	171,397	210,125
<b>Total</b>	<b>305,904</b>	<b>518,577</b>

# DIRECTOR'S DECLARATION

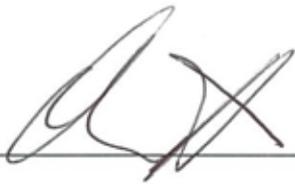
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## FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of Somerville House Foundation Limited declare that:

1. The financial statements and accompanying notes are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012* and:
  - a. comply with all relevant Australian Accounting Standards (including the Australian Accounting Interpretations); and
  - b. give a true and fair view of the financial position for the year ended 31 December 2018 and of the performance for the period ended on that date of the Foundation.
2. In the Directors' opinion, there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



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Dominique Layt  
(Chair)

Date: 22 May 2019

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERVILLE HOUSE FOUNDATION LTD



### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Somerville House Foundation Ltd (the "Company"), which comprises the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the financial report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-Profit Commission Act 2012*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulations 2013*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Australian Charities and Non-for-Profit Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Australian Charities and Non-for-Profits Commission Act 2012* and the needs of the members. The directors' responsibility also includes for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.



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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SOMVERVILLE HOUSE FOUNDATION LTD**

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants

Ashley Carle  
Director  
Brisbane  
22 May 2019



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**SOMERVILLE HOUSE FOUNDATION LTD**

ACN 168 804 199 | ABN 81 168 804 199

17 Graham Street, South Brisbane Qld 4101 | PO Box 3357, South Brisbane Qld 4101  
P +61 7 3033 9289 | E [Foundation@somerville.qld.edu.au](mailto:Foundation@somerville.qld.edu.au) | W [somerville.qld.edu.au](http://somerville.qld.edu.au)

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